RECORD AND BRIEFS

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In the
Supreme Court of the United States

IMPRESSION PRODUCTS, INC.,

Petitioners,

v.

LEXMARK INTERNATIONAL, INC.,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICUS CURIAE* AUSTIN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

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QUESTIONS PRESENTED

1. Whether a "conditional sale" that transfers title to the patented item while specifying post-sale restrictions on the article's use or resale avoids application of the patent exhaustion doctrine and therefore permits the enforcement of such post-sale restrictions through the patent law's infringement remedy.

2. Whether, in light of this Court's holding in *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013), that the common law doctrine barring restraints on alienation that is the basis of exhaustion doctrine "makes no geographical distinctions," a sale of a patented article authorized by the U.S. patentee-that takes place outside of the United States exhausts the U.S. patent rights in that article.

TABLE OF CONTENTS

TABLE OF AUTHORITIES iii

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF THE ARGUMENT 2

ARGUMENT 4

I. Differences between Patent Law and Copyright Law Caution against Reflexive Importation of *Kirtsaeng* into Patent Law 4

II. Differences in Applicable Identity Inquiries Have Shaped Exhaustion Differently in the Patent Law and Copyright Law Contexts 7

A. For copyright's "first sale" doctrine, identity is relatively straightforward and arguably guaranteed in the context of § 109(a). 8

B. In contrast, for patent exhaustion, identity inquiries relative to the post-sale product are more involved and shaped by factual, rather than statutory, context. 9

C. Foreign sales exacerbate the complexity of the identity inquiry in patent exhaustion 12

CONCLUSION 15

TABLE OF AUTHORITIES

Cases

Aro Mfg. Co. v. Convertible Top Replacement Co., 365 U.S. 336 (1961) 3, 10, 11

Bobbs-Merrill Co. v. Straus, 210 U.S. 339 (1908)... 2, 4

Bowman v. Monsanto Co., 133 S. Ct. 1761 (2013)..... 3, 10, 11

Buck v. Jewell-LaSalle Realty Co., 283 U. S. 191 (1931) 8

Cotton-Tie Co. v. Simmons, 106 U.S. 89 (1882)..... 12

Fuji Photo Film Co., Ltd. v. Jazz Photo Corp., 394 F.3d 1368 (Fed. Cir. 2005) 12, 13

Golan v. Holder, 132 S. Ct. 873 (2012) 4

Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351 (2013) 2, 4, 8

Multimedia Patent Trust v. Apple Inc., No. 10-cv-2618-H (KSC), 2012 WL 6863471 (S.D. Cal. Nov. 9, 2012) 7

Quanta Computer, Inc. v. LG Elecs., Inc., 553 U.S. 617 (2008) 10

SanDisk Corp. v. Round Rock Research, LLC, No. 11-cv-5243, 2014 WL 2700583 (N.D. Cal. June 13, 2014) 7

Tessera, Inc. v. Int'l Trade Comm'n, 646 F.3d 1357 (Fed. Cir. 2011)..... 7

United States v. Univis Lens Co., 316 U.S. 241 (1942) 10

Wilson v. Simpson, 50 U.S. 109 (1850) 11

Statutes

17 U.S.C. § 102(a) 8

17 U.S.C. § 102(b) 8

17 U.S.C. § 106 8

17 U.S.C. § 109(a) 8, 9

Treaties

Berne Convention for the Protection of Literary and Artistic Works (Paris text 1971) 4

Paris Convention for the Protection of Industrial Property (Mar. 20, 1883) 5

Other Authorities

World Intellectual Property Organization, Frequently Asked Questions: Patents, http://www.wipo.int/patents/en/faq_patents.html .. 5

INTEREST OF *AMICUS CURIAE*[1]

Amicus curiae Austin Intellectual Property Law Association ("Austin IPLA") is a bar association located in Austin, Texas with approximately 250 members engaged in private and corporate practice across a wide range of industries and technologies. (*See* www.austin-ipla.org.) Austin IPLA members represent both the owners and users of intellectual property. Austin IPLA takes no position on the ultimate outcome of the parties' dispute, particularly whether sales of particular patented articles authorized by the respondent that take place outside of the United States operate to exhaust the respondent's U.S. patent rights in issue in the parties' dispute. Austin IPLA's sole interest is that the integrity of the Patent Act be maintained through consistent interpretation of statutes, doctrines, and intellectual property rights.

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[1] Pursuant to Supreme Court Rule 37.6, *amicus* states that no counsel for a party authored this brief in whole or in part; and that no person or entity, other than *amicus* and its counsel, made a monetary contribution intended to fund the preparation and submission of this brief. All parties to this dispute have consented to the filing of this brief, and letters of consent have been lodged with the Court.

SUMMARY OF THE ARGUMENT

This brief is directed to the second question and considers whether the holding in *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013) applies with equal force to patent exhaustion. Because unexpressed aspects of the copyright regime underpin that holding, the Court should exercise caution before applying *Kirtsaeng* to a patent exhaustion regime that does not involve the same considerations.

The Court has long recognized "wide differences" between copyright and patent regimes and observed that particular questions require separate analysis for each body of law. *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 346 (1908). Parties and other *amici* may address, more generally, differences or similarities in the laws; however, this amicus brief focuses on two identity inquiries that are necessarily satisfied for copyright exhaustion but not patent exhaustion. These inquiries are the identity of rights in each jurisdiction and the identity of instance between the originally sold article and that for which rights are exhausted.

For copyright exhaustion, both identities are satisfied in the context of Section 109(a) of the Copyright Act. Specifically, a particular textbook (*i.e.*, a copy under the Act) lawfully made and thereafter sold in Thailand is subject to a globally uniform system of copyright. That global system ensures that the first sale in Thailand is framed by exclusive rights, which are commensurate with those applicable to a copy first sold in the United States. Moreover, it is that particular copy sold in Thailand—no more, no less, no adaptation or

derivation or performance thereof—to which exhaustion is limited under § 109(a). Thus, the aforementioned identities, unexpressed in *Kirtsaeng* itself, are nonetheless latent in its copyright context.

For patent exhaustion, in contrast, the two identity inquiries are not necessarily satisfied. There is no globally uniform system of patent rights, and hence, no identity of rights in each jurisdiction. Furthermore, the identity of instance inquiry lies at the heart of a long-recognized repair-reconstruction doctrine that limits patent exhaustion: Has post-sale alteration or use of a product preserved the identity of a product instance? ... or has it altered the identity of the product and thereby made a new product instance? *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961); *cf. Bowman v. Monsanto Co.*, 133 S. Ct. 1761 (2013).

The Court therefore should recognize that differences between the copyright and patent laws, particularly identity inquiries latent in the context of § 109(a) of the Copyright Act, counsel against reflexive application of *Kirtsaeng* to patent exhaustion.

ARGUMENT

I. Differences between Patent Law and Copyright Law Caution against Reflexive Importation of *Kirtsaeng* into Patent Law.

Copyrights and patents are imperfect legal analogies. *See Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908) (acknowledging the long-recognized distinctness of the copyright and patent regimes and observing that particular questions require separate analysis for each body of law). "There are such wide differences between the right of multiplying and vending copies of a production protected by the copyright statute and the rights secured to an inventor under the patent statutes, that the cases which relate to the one subject are not altogether controlling as to the other." *Id.* at 346.

The Court has also recognized that there are significant uniformity and international reciprocity aspects to copyright law. *See Kirtsaeng*, 133 S. Ct. at 1359–60 (observing that American copyright laws protect "works 'first published' in any one of the nearly 180 nations that have signed a copyright treaty with the United States"). The Berne Convention, first signed in 1886, created a uniform system of copyright protection globally. *See* Berne Convention for the Protection of Literary and Artistic Works (Paris text 1971). The Convention requires its signatories to provide the same protection to works originating in other member States as the signatory grants to the works of its own nation. *See* Berne Convention, art. 5(1). There are over 150 signatories to the Berne Convention, which the United States joined in 1989. *See Golan v. Holder*, 132 S. Ct. 873, 877-78 (2012) (discussing the Berne Convention).

Whereas the Berne Convention affords global protections to copyrighted works by reciprocity, there is no analogous system that protects patented inventions. *See* World Intellectual Property Organization, Frequently Asked Questions: Patents, http://www.wipo.int/patents/en/faq_patents.html (last visited January 18, 2017) ("At present, you cannot obtain a universal 'world patent' or 'international patent.' Patents are territorial rights."). Applicants must apply for patent protection in the various countries and regions where they seek to obtain exclusivity for their inventions. *See id.* ("[A]n application for a patent must be filed, and the patent [is] granted and enforced[] in each country ... in accordance with the law of that country."). Although the Paris Convention provides for reciprocity of priority claims, correspondence of exclusive rights does not follow. Even patents granted in different territories for the same invention are independent of one another, and the enforcement mechanisms are independent of one another. *See* Paris Convention for the Protection of Industrial Property, art. 4bis (Mar. 20, 1883).

These global uniformity differences should cause the Court to question unqualified application of *Kirtsaeng*'s territorially-agnostic principles to patent exhaustion. For copyright law, once an original work of authorship is fixed in a tangible medium, copyright protection automatically inures in the author of the work who then enjoys copyright protection in nations across the globe pursuant to the Berne Convention. No further steps are required to define the essential scope[2] of that copyright protection. The copyright

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[2] *Amicus curiae* Austin IPLA recognizes that variation exists amongst the national laws of jurisdictions of the world and that

arises in each jurisdiction based on the very same genesis, an original authorship. As such, the identity in U.S. and foreign jurisdictions of the copyright relevant in the *Kirtsaeng* context is assured.

Patent rights are different. Patents involve government approval processes with varying standards. As such, for a particular inventive concept, different countries may, after their own independent examination processes, issue patents having claims with significantly different scope. Specifically, the scope of a granted U.S. patent right and that of a patent (if any) applied for and granted in any given foreign jurisdiction need not correspond at all. The claims that define each are negotiated in view of potentially different bodies of prior art, against differing backdrops of substantive law, with potentially different commercial objectives, and, given first-to-file regimes operative in most jurisdictions, may even be applied for by, and granted to, entirely different entities.

Unlike the effectively identical copyrights that automatically arise in different jurisdictions for an original work based on the common, scope-of-right-defining genesis of authorship, even U.S. and foreign patent rights that share common priority and ownership can differ substantially in scope. Indeed, in many (if not most) foreign jurisdictions, no patent

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the particular bundle of rights that may be afforded protection under the copyright laws of a particular nation varies. For example, while many copyright regimes around the world recognize *droit moral*, particularly in the context of pictorial or sculptural works, others do not. Nonetheless, for works of the sort contemplated by the § 109(a) context that frames *Kirtsaeng*, a largely equivalent distribution right can be presumed outside the United States.

coextensive with a U.S. patent right will ever be granted and, as a result, no corresponding exclusive right exists in that foreign jurisdiction. Moreover, one country may issue a patent for a particular invention, while another country may deny protection for the same invention or require compulsory license.

Thus, an extension of *Kirtsaeng*-inspired international exhaustion to patent law based on a "single reward principle" is potentially misplaced. Is *any* reward at all garnered for a product, component, or subassembly manufactured and initially vended in a foreign jurisdiction that affords no protection whatsoever to the U.S. patent owner? In such circumstances, unqualified application of *Kirtsaeng* could, in effect, nullify the patent owner's U.S. patent rights in derogation to a foreign power and a nonexistent foreign right.

This is not to say that a patent owner may not voluntarily, whether expressly or impliedly, through terms of sale or license make its patented product, component or subassembly subject to a grant of U.S. or worldwide rights.[3] However, the Court should exercise caution in applying *Kirtsaeng* in a manner that is unqualified or absolute.

II. Differences in Applicable Identity Inquiries Have Shaped Exhaustion

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[3] In this regard, the positions of *amicus curiae* Austin IPLA should not be construed as calling into question decisions of the lower courts, such as *SanDisk Corp. v. Round Rock Research, LLC*, No. 11-cv-5243, 2014 WL 2700583 (N.D. Cal. June 13, 2014), *Multimedia Patent Trust v. Apple Inc.*, No. 10-cv-2618-H (KSC), 2012 WL 6863471 (S.D. Cal. Nov. 9, 2012), and *Tessera, Inc. v. Int'l Trade Comm'n*, 646 F.3d 1357 (Fed. Cir. 2011) that give effect to an expressed intent to license world-wide rights.

Differently in the Patent Law and Copyright Law Contexts.

A. For copyright's "first sale" doctrine, identity is relatively straightforward and arguably guaranteed in the context of § 109(a).

The Copyright Act confers copyright protection in "original works of authorship" fixed in any tangible medium of expression. 17 U.S.C. § 102(a). Copyright protection does not extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery. § 102(b). Section 106 of the Copyright Act provides a bundle of exclusive rights to the owner of the copyright, which includes the rights to reproduce, prepare derivative works, distribute copies, and control public performances and public displays of the copyrighted work. § 106.

Under the copyright "first sale" doctrine, codified in 17 U.S.C. § 109(a), the sale of a copy of a copyrighted work has "exhausted" the copyright owner's § 106(3) exclusive distribution right of that copy. *See Kirtsaeng*, 133 S. Ct. at 1355. However, the exhaustion does not extend to the copyright owner's other exclusive rights. *See Buck v. Jewell-LaSalle Realty Co.*, 283 U.S. 191 (1931). In *Buck*, the defendant asked the Court to extend the exhaustion to the copyright owner's exclusive public performance right, relying by analogy on *Bobbs-Merrill*. *Id.* at 195-97. Rejecting the defendant's analogy, the Court wrote, "[i]t is true that control of the sale of copies is not permitted by the Act, but a monopoly is expressly granted of all public performances for profit." *Id.* at 197. Thus, even after the exhaustion doctrine applies

to a particular copy, that copy remains encumbered with a prohibition against any unlicensed use for a public performance, and each public performance requires a separate grant of permission by the copyright owner.

Applying the copyright "first sale" doctrine involves an identity inquiry to determine that the particular copy or phonorecord for which exhaustion is in issue post-sale is the same copy or phonorecord that was lawfully manufactured. *See* § 109(a). Such an identity inquiry under the copyright "first sale" doctrine is straightforward and closely aligns with the essentially uniform protection afforded that particular copy or phonorecord throughout the world.

Moreover, § 109(a) explicitly limits exhaustion to the § 106(3) distribution right, which aligns with the identity of the instance principle. *See* § 109(a). In exercising the distribution right, an owner of a particular copy does not alter the copy in such a way that it becomes difficult to determine whether the alteration maintains the identity of the copy. Indeed, alteration of the copyrighted work would implicate the separate, unexhausted right to prepare derivative works. Thus, copyright exhaustion and, indeed, the § 109(a) context that underlies *Kirtsaeng* avoid issues presented by any divergence of identity as between the particular copy to which a first sale pertains and that for which rights may later be found to be exhausted.

B. In contrast, for patent exhaustion, identity inquiries relative to the post-sale product are more involved and shaped

by factual, rather than statutory, context.

The Court has described patent exhaustion in absolute terms. *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 625 (2008) (The authorized sale of a patented item "terminates all patent rights to that item."). Despite the apparent absolutism, some tension exists with other decisions of the Court, such as *Aro* and *Bowman*, at least with respect to an identity of instance inquiry central to repair-reconstruction doctrines and to distinctions between permissible use or resale and impermissible re-making in self-replicating technologies. *See Aro*, 365 U.S. at 346; *Bowman*, 133 S. Ct. at 1768 ("Reproducing a patented article no doubt 'uses' it after a fashion. But ... we have always drawn the boundaries of the exhaustion doctrine to exclude that activity, so that the patentee retains an undiminished right to prohibit others from making the thing his patent protects.").

Moreover, while *Quanta* and *United States v. Univis Lens Co.*, 316 U.S. 241 (1942), describe a fact-specific analysis involving essential or inventive features, that analysis is also identity-centric. *See Quanta*, 533 U.S. at 633 (relying on a characterization of Intel Products as "all but completely practic[ing] the patent," or lacking only the "application of common processes or the addition of standard parts," or embodying "[e]verything inventive about each patent.").

Detailed treatment of *Quanta* is beyond the scope of this amicus brief. Nevertheless, in contrast with the identities between authorship-defined scope of the copyright and particulars of a copy first sold

and later imported, which are necessarily satisfied in the § 109(a) context latent in *Kirtsaeng*, patent exhaustion involves a more fact-intensive series of identity inquiries involving that which is essential or inventive. Those patent exhaustion-related inquires include analysis of the patent claims, the particulars of a product that is the subject of an authorized first sale, and the particulars of a (potentially different) product resulting from post-sale alterations or further manufacture.

Focusing illustratively on repair-reconstruction motivated identities, for patent exhaustion, an authorized sale of a patented article confers on the purchaser the right to use that article, but not the right to make a new article. *Aro*, 365 U.S. at 343; *see also Wilson v. Simpson*, 50 U.S. 109, 126 (1850) ("replacement of temporary parts does not alter the *identity* of the machine, but preserves it, though there may not be in it every part of its original material.") (emphasis added). Accordingly, an identity inquiry of the repair-reconstruction doctrine seeks to determine whether an owner obtained the very article at issue by an authorized sale, and to determine whether an alteration to that article is a permissible "repair" that retains the article's identity or an impermissible "mak[ing of] a new article" (reconstruction) that alters the article's identity. *See Aro*, 365 U.S. at 346.

Even after the sale of the patented article, the patentee retains an undiminished right to prohibit others from making the thing his patent protects. *See, e.g.*, *Bowman*, 133 S. Ct. 1761 (holding that a purchaser could resell the patented seeds he obtained from a grain elevator, or use them as feed, but that he could not produce additional seeds); *Cotton-Tie Co.*

v. Simmons, 106 U.S. 89, 93-94 (1882) (holding that a purchaser could not "use" the buckle from a patented cotton-bale tie to "make" a new tie). Given the fact-specific nature of patent exhaustion, whether for a repair-reconstruction analysis under *Aro*, or even relative to a substantial embodiment analysis under *Quanta*, it would be problematic if the Court were to apply territorially-agnostic reasoning in *Kirtsaeng* to patent exhaustion in a manner that is unqualified or absolute.

We now turn to additional complexities in the international realm.

C. Foreign sales exacerbate the complexity of the identity inquiry in patent exhaustion.

After a foreign sale of a patented article, that article may be transferred through a supply chain to successive owners who are not the original purchaser, but who integrate or employ the originally sold article or its derivative in a way that may not preserve its identity. In general, the original article may be altered by the original purchaser, the subsequent owners, or third parties prior to being imported into the United States. Transfers and alterations performed in foreign countries have been found to create evidentiary challenges for the repair-reconstruction analysis.

In *Fuji Photo Film*, the Federal Circuit addressed evidentiary issues in just such a situation. *See Fuji Photo Film Co., Ltd. v. Jazz Photo Corp.*, 394 F.3d 1368 (Fed. Cir. 2005) (applying a repair-reconstruction analysis to products first sold in the United States, then refurbished in a foreign country).

The defendant's struggle to provide evidence for its repair defense illustrates challenges for the repair-reconstruction analysis in an international context. *See Id.* at 1373-75 (detecting no clear error in the district court's assessment that Jazz "did not provide sufficient evidence that all eight of its Chinese supplier factories performed the nineteen repair steps").

Repair is an affirmative defense, and in *Fuji Photo Film*, the defendant bore a preponderance burden. *Id.* at 1374. Regarding the burden, the Federal Circuit warned, "We cannot exculpate unknown processes from the charge of infringing reconstruction." *Id.* In *Fuji Photo Film*, the defendant acknowledged that its refurbishment procedures comprised a possible total of nineteen refurbishment steps, performed by eight supplier factories located in China. *Id.* at 1371. For five of the eight supplier factories, however, discovery was refused or the evidence that was offered was found incomplete or not credible. *Id.* at 1374. While the defendant's refurbishment process was ultimately found to be permissible repair, because of the deficiencies in evidence as to certain steps and suppliers, the Federal Circuit affirmed the district court's finding that only 10% of the defendant's products at issue were permissibly repaired. *Id.* at 1372.

As with the products at issue in *Fuji Photo Film*, patented articles that are the subject of an authorized foreign sale may involve multiple foreign transfers in addition to foreign alteration or further manufacture. As a result, instance identities for such patented articles may be difficult to establish or trace in a manner necessary to establish evidence pertinent

to patent exhaustion. Given the fact-specific nature of patent exhaustion, whether for a repair-reconstruction analysis under *Aro*, or relative to a substantial embodiment analysis under *Quanta*, it would be unfortunate if the Court were to apply the territorially-agnostic holding from the copyright decision *Kirtsaeng* to patent exhaustion in a manner that is unqualified or absolute.

CONCLUSION

For the foregoing reasons, *amicus curiae* Austin IPLA suggests that the principles underlying the holding in *Kirtsaeng* regarding the "first sale" doctrine in copyright law should be understood in their proper Copyright Act context. Doing so ensures that identities in the more fact-specific doctrines of patent exhaustion, such as repair-reconstruction and substantial embodiments are properly examined and not simply presumed. The Court should be very careful not to adopt a legal doctrine that reflexively applies the territorially-agnostic holding from *Kirtsaeng* to U.S. patent rights in an absolute or unqualified manner.

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